

**FIDELITY EXPLORATION AND PRODUCTION COMPANY
COAL CREEK - CBNG WELL DRILLING APPLICATIONS**

Fidelity Exploration and Production Company
2585 Heartland Drive
Sheridan, WY 82801

State of Montana Oil and Gas Lease OG-31307-94
Township 9 South, Range 41 East, Section 16 (All)
Big Horn County, Montana

Fidelity Exploration and Production Company (Fidelity) has proposed an amended plan of development (POD) for the Coal Creek Area, which is located within an approved expansion area of the CX Field. The Amended POD includes one 640 acre state section in Township 9 South, Range 41 East, Section 16. This amended POD consists of the drilling and completion of 236 additional coal bed natural gas (CBNG) wells (173 Fed, 43 fee, 20 state). There are 16 existing CBNG wells on the state section that were drilled and completed as part of the original Coal Creek POD.

The wells will be drilled on regulatory spacing of two wells per 160 acres per coal seam. The 20 wells proposed on the state tract will be co-located on four pad sites in order to develop and produce from the four specific coal zones.

Power, water and gas flowlines would be underground and routed along a single corridor. Gas production is routed to compressor/manifold stations adjacent to state land. Water management for the twenty state wells would utilize authorized discharge to the Tongue River pursuant to existing MPDES permits.

The Montana Board of Oil and Gas Conservation (MBOGC) has approved the Coal Creek Amended POD and issued a Finding of No Significant Impact on March 1, 2006. The fee wells in the POD area will be developed regardless of whether additional development occurs on the state common schools tract.

The draft Environmental Assessment was released for public comment on June 8, 2006, with comments requested by July 7, 2006. As of July 7, 2006, one comment was received expressing support of the project. The final EA with a draft record of decision is attached for your review.

The director requests Land Board consideration and, as appropriate, authorization to approve the Coal Creek amended plan of development relative to activities proposed for the state section 16, Township 9 South, Range 41 East.

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